

**REPORT OF THE AUDIT OF THE
MONROE COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES**

**For The Period
May 1, 2009 Through April 15, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
MONROE COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period
May 1, 2009 Through April 15, 2010

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2009 Taxes for the Monroe County Sheriff for the period May 1, 2009 through April 15, 2010. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,901,837 for the districts for 2009 taxes, retaining commissions of \$111,726 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,787,215 to the districts for 2009 taxes. Taxes of \$1,909 are due to the districts from the Sheriff.

Report Comment:

2009-01 The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Wilbur Graves, Monroe County Judge/Executive

Honorable Jerry Gee, Monroe County Sheriff

Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the Monroe County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010. This tax settlement is the responsibility of the Monroe County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Monroe County Sheriff's taxes charged, credited, and paid for the period May 1, 2009 through April 15, 2010, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Wilbur Graves, Monroe County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Members of the Monroe County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

2009-01 The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 9, 2010

MONROE COUNTY
JERRY GEE, SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period May 1, 2009 Through April 15, 2010

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 237,769	\$ 583,615	\$ 1,218,568	\$ 329,635
Tangible Personal Property	31,342	80,699	141,341	88,792
Fire Protection	1,758			
Franchise Taxes	35,427	89,181	167,604	
Additional Billings	7	18	37	10
Oil and Gas Property Taxes	123	301	628	170
Limestone, Sand and Mineral Reserves	60	303	307	83
Penalties	2,422	5,884	12,266	3,517
Adjusted to Sheriff's Receipt	(2)	(16,725)	(15,561)	166
Gross Chargeable to Sheriff	<u>308,906</u>	<u>743,276</u>	<u>1,525,190</u>	<u>422,373</u>
<u>Credits</u>				
Exonerations	634	1,556	3,249	879
Discounts	3,911	9,319	19,355	6,201
Delinquents:				
Real Estate	5,237	12,817	26,761	7,239
Tangible Personal Property	<u>72</u>	<u>154</u>	<u>297</u>	<u>227</u>
Total Credits	<u>9,854</u>	<u>23,846</u>	<u>49,662</u>	<u>14,546</u>
Taxes Collected	299,052	719,430	1,475,528	407,827
Less: Commissions *	<u>12,710</u>	<u>30,040</u>	<u>51,643</u>	<u>17,333</u>
Taxes Due	286,342	689,390	1,423,885	390,494
Taxes Paid	286,061	688,711	1,422,525	389,918
Refunds (Current and Prior Year)	<u>82</u>	<u>208</u>	<u>372</u>	<u>325</u>
Due Districts		**		
as of Completion of Audit	<u>\$ 199</u>	<u>\$ 471</u>	<u>\$ 988</u>	<u>\$ 251</u>

* and ** See Next Page.

The accompanying notes are an integral part of this financial statement.

MONROE COUNTY
JERRY GEE, SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES
For The Period May 1, 2009 Through April 15, 2010
(Continued)

* Commissions:

4.25% on	\$	1,211,949
4% on	\$	214,360
3.5% on	\$	1,475,528

** Special Taxing Districts:

Library District	\$	107
Health District		87
Extension District		100
Soil Conservation District		39
Ambulance District		<u>138</u>
Due Districts	\$	<u><u>471</u></u>

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Monroe County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2010
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Monroe County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2009. Property taxes were billed to finance governmental services for the year ended June 30, 2010. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 26, 2009 through April 15, 2010.

Note 4. Interest Income

The Monroe County Sheriff earned \$418 as interest income on 2009 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Monroe County Sheriff collected \$19,752 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

Note 6. Tangible Rates For School, Library, Extension, and Ambulance Districts

The tangible rates for the school, library, extension, and ambulance districts were incorrectly printed on several 2009 tax bills. As a result, the total tax billed was \$32,289 less than amount of the Certification of Equalized Assessment issued by the Department of Revenue. The financial statement was adjusted by the above amount to show what was collected.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wilbur Graves, Monroe County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Members of the Monroe County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Monroe County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010, and have issued our report thereon dated August 9, 2010. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Monroe County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2009-01 to be a material weakness.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Monroe County Sheriff's Settlement - 2009 Taxes for the period May 1, 2009 through April 15, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Monroe County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 9, 2010

COMMENT AND RECOMMENDATION

MONROE COUNTY
JERRY GEE, SHERIFF
COMMENT AND RECOMMENDATION

For The Period May 1, 2009 Through April 15, 2010

INTERNAL CONTROL - MATERIAL WEAKNESS:

2009-01 The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties over receipts and disbursements. The Sheriff's bookkeeper collects payments from customers, prepares monthly tax reports, and prepares daily deposits. She also takes the deposit to the bank. Upon preparation of the monthly reports, the bookkeeper prepares and signs the checks.

Adequate segregation of duties would prevent the same person from having a significant role in the process, recording of receipts and disbursements. We recommend the Sheriff implement compensating controls to offset this lack of segregation of duties and document those compensating controls by initialing the source documents.

Sheriff's Response: None.

